



THE PARIS CLIMATE CONFERENCE

Europe's Red Line

Keynote address to the Solidarność Climate Conference

Dr Benny Peiser

The Global Warming Policy Forum

Paper 1



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Contents

About the author	ii
1 Introduction	1
2 The failure of the EU's unilateral climate policy	1
3 The costs	2
4 The EU's new climate policy	3
5 Poland's role	5

About the author

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1 Introduction

I would like to thank Solidarność for inviting me. I am honoured to address this climate conference today. Solidarność, needless to say, is known the world over for its trailblazing role in liberating Central and Eastern Europe from communism and for its contribution to the downfall of the Soviet Union. Today, 25 years after the liberation from Soviet rule and socialist dogma, Solidarność is challenging a new political creed, a new doctrine that is threatening millions of jobs across Europe: the EU's unilateral climate policy. Last September, Poland's three largest trade unions, including Solidarność, wrote to the Prime Minister and asked him to reject the EU's 2030 climate package, the main objective of which is to unilaterally reduce carbon dioxide emissions in the EU by 40 percent by 2030.

The trade union leaders warned that the implementation of this unilateral policy change would mean a three-fold increase in wholesale electricity and heating prices. This in turn might lead to the loss of nearly one million jobs in Poland.

It was to no avail. The Polish government ultimately yielded to EU pressure and agreed to sign up for the targets. But there was no consensus in Poland. One of the most remarkable elements of Poland's recent Presidential election campaign was Andrzej Duda's opposition to the 2030 climate package and to the idea of unilateral decarbonisation. Mr Duda's ultimate victory appears to have been won, at least in part, because he was seen to be holding the government and the outgoing President to account for agreeing to the EU's climate package despite all the economic and security risks that it entailed.

His victory came at an auspicious time. 2015 is to be the year of a new global climate agreement and negotiations are under way ahead of the summit in Paris later this year. If a deal is reached then the outcome will have important economic, social and industrial implications for Europe in general and for Poland in particular. In my talk I will focus on three key issues:

1. The failure of the EU's unilateral climate policy
2. The EU's new climate strategy and its contradictions
3. What happens if the EU's current climate policy fails in Paris?

2 The failure of the EU's unilateral climate policy

Since the fall of the Berlin Wall, the European Union has committed to unilateral efforts to tackle climate change. It has felt it a duty to set an example to the rest of the world through radical climate policy-making at home. The EU's climate agenda was founded on three key assumptions that were widely embraced and promulgated by European leaders in the late 20th century. First, the belief that global warming was an urgent threat that needed to be prevented without delay and at all costs. Second, that the world was running out of fossil fuels, so that oil and gas prices would rise inexorably

and renewable energy would become ever more cost-competitive. And thirdly, that the world would agree a legally binding carbon reduction target, creating a ready-made market into which EU firms could sell their low-carbon know-how.

All of these core beliefs turned out to be mistaken. We first have to look back at the early 1990s and remember what the Intergovernmental Panel on Climate Change (IPCC) was saying at that time. In its first assessment report, published in 1990, it predicted that continuing carbon dioxide emissions would lead to a rise of the average global surface temperature, initially by 0.3°C per decade and accelerating thereafter.

Based on current model results, we predict under the Business-as-Usual (Scenario A) emissions of greenhouse gases, a rate of increase of global mean temperature during the next century of about 0.3°C per decade... This will result in a likely increase in global mean temperature of about 1°C above the present value by 2025.

It was this expectation of accelerating global warming that drove the EU, back in 1996, to adopt a global temperature target, saying that it should not exceed 2°C above the pre-industrial level.

They could hardly have guessed that in the decades that followed, instead of the predicted rapid warming, the global surface temperature would essentially come to a standstill. Instead of accelerated global warming there has been no rise in average global surface temperature for nearly 20 years.

The EU's assumptions about energy prices were equally mistaken. With the onset of the shale revolution in the US and the prospect of a global expansion of unconventional oil and gas exploration, there is now seen to be no lack of fossil fuels. In fact, we have sufficient conventional and unconventional energy to meet the world's needs for most of this century. Fossil fuel prices have fallen and look set to remain low for the foreseeable future. Meanwhile, instead of making Europe more competitive, astronomical subsidies for renewables – nearly 1 trillion euros to date – have given the EU the world's highest energy prices and have helped turn it into an economic basket-case: the only region of the world where economic growth has been absent for years. EU policymakers also naively assumed that Europe's main competitors would follow its shift from cheap fossil fuels to expensive green energy. This has not happened and in reality was never a realistic expectation in the first place.

Lastly, legally binding carbon dioxide cuts at the global level have proven to be impossible to agree, and are highly unlikely to be forthcoming anytime soon. The benefits that the proposed global deal would bring to the EU remain a pipedream, and an increasingly desperate one at that.

3 The costs

No other major economy has followed the EU's policy direction. And none will be foolish enough to do so in the future, now that the costs for the economy and the pain

for consumers are obvious for all to see. With electricity prices in Europe now more than double those in North America, Europe's remaining and struggling manufacturers are unable to compete and are increasingly relying on government subsidies. They are rapidly losing both sales and market share.

And the pain has only just begun. The International Energy Agency estimates that in 2035 EU electricity prices will still be around twice those in the USA. According to the International Monetary Fund these inflated energy prices are going to cut further into the EU's share of global manufacturing. The EU's unilateral climate policies have become an existential threat to its energy-intensive industries.

It is no surprise, then, that European politicians are increasingly concerned. What is new, however, is that this concern and open criticism is no longer limited to climate-sceptical MEPs or policymakers from central and eastern European member states. In recent months, it has increasingly come from the very centre of old Europe.

The threat of rising energy prices and the loss in competitiveness was the central theme of the energy summit of EU heads of government in Brussels last May. Antonio Tajani, the EU's former Industry Commissioner, warned last year that Europe's climate policies were pushing electricity costs to destructive levels:

We face a systemic industrial massacre. We need a new energy policy. We have to stop pretending, because we can't sacrifice Europe's industry for climate goals that are not realistic, and are not being enforced worldwide.

If someone like Mr Tajani can say that Europe's industry is being sacrificed on the altar of unrealistic climate goals, other leaders should listen.

Tajani has not been alone in sounding the alarm over the costs of unilateral climate policy. Gunther Oettinger, then the EU's energy commissioner, declared last September that the EU should not adopt new binding CO₂ targets unless all major emitters do likewise. He pointed out that if they were imposed unilaterally, the result of such targets would be the export of production and emissions outside the EU.

And since it is the developing nations whose CO₂ emissions are increasing rapidly, Oettinger rightly stated the obvious, namely that anyone who thinks that cutting Europe's CO₂ emissions would make any difference to global warming is 'arrogant or stupid'. He pointed out that the EU was responsible for just over 10% of global CO₂ emissions today, a share that will fall to 4.5% in 2030.

4 The EU's new climate policy

When confronted with these concerns and faced with the threat of a Polish veto, EU leaders agreed a new approach to climate policy. Gone is the focus on unilateral target-setting and green idealism. Instead the EU is now offering a conditional pledge linked to an unconditional demand. The pledge is a new target for CO₂ emissions, cutting them by 40% below the 1990 level by 2030. But critically, this pledge is conditional on the Paris agreement being legally binding for all countries. The conditional

nature of the EU's CO₂ pledge was clearly spelled out by the European Council in its '2030 Climate and Energy Policy Framework' agreement adopted last October. This states that with regards to its 2030 pledge, 'the European Council will revert to this issue after the Paris Conference [and] will keep all the elements of the framework under review'.

In February, the European Commission followed up with a document that communicated the EU's red line for the Paris climate summit. In this document, called *The Paris Protocol*, the Commission demands that all nations represented at the Paris summit must deliver 'legally binding mitigation commitments that put the world on track towards achieving the below 2°C objective... [and that] mitigation commitments under the Protocol should be equally legally binding on all Parties'.

Yet the chances of such an agreement remain slim. For a start, an international protocol or treaty with legally binding CO₂ emissions targets would have to be ratified by national parliaments. This is unlikely to happen in the US, given the Republican majority in both houses. Republican Senators have already warned governments that Obama's climate pledge is non-binding and will be contested by the US Senate. Republican senators are not alone either. It was reported last year that many EU member states and at least five EU commissioners had been pushing for a reduced CO₂ target of 35%. Moreover, Poland and other member states remain opposed to any new binding targets in the absence of a legally-binding UN agreement. There are strong indications from Poland and other 'Visegrad' nations that the 40% emissions pledge would be an unacceptable burden if other major economies did not follow suit. Many former Warsaw Pact states continue to rely on Russian gas imports for their energy needs. Many fear that new unilateral CO₂ limits would make coal power generation unviable and consequently lead to an even greater dependence on Russia. The prospect of increasing renewable energy sources is also an unappealing prospect. Governments in Eastern Europe look at Germany where, as a result of astronomical subsidies, domestic consumers are paying the second highest amount for electricity in the EU.

But it is the position of the developing nations that makes a binding treaty an unlikely outcome for Paris. China and India have consistently made clear their view that CO₂ targets should only be binding for developed nations. In their view, and that of the other 24 members of the so-called 'Like-Minded Developing Countries' group, developing nations should be exempt. China and India are countering Western pressure to fall into line by demanding a legally binding compensation package of \$100 billion per year, as promised by President Obama at the UN climate conference in Copenhagen in 2009. They are resisting attempts by the US and the EU to end the legal distinction between developing and developed nations, and it is likely that they will still be holding out in Paris at the end of the year. They have also stated repeatedly that they will not allow any outside body to review their Intended Nationally Determined Contributions and reject any form of international review as a violation of their sovereignty. In the face of this hard line from the developing world, it is hard to see any kind of legally binding targets being agreed in Paris.

What happens if the EU's climate strategy fails in Paris? Given that UN climate

deals have to be agreed by consensus, it is almost certain that the EU's key demand will be rejected by most of the developing nations. It is equally likely that all parties involved, the EU and the US on the one hand and China and India on the other, will proclaim victory after the final Paris agreement is signed. Nevertheless, there are considerable uncertainties about what will happen to the EU's conditional 2030 pledge in such circumstances. The European Council would only be able to make its 40% emissions reduction pledge legally binding if all member states accepted new, nationally binding CO₂ targets under a burden-sharing mechanism. However, in the event that the Paris conference fails to make its nationally determined mitigation pledges legally binding, the EU should abandon, or at least delay, making its own 40% pledge legally binding. Alternatively, EU leaders could simply agree to make the 40% pledge binding at EU, but not at national levels. Such a soft exit strategy would emulate the EU's dodgy renewable energy target for 2030 which, while being called an EU-wide and binding target, does not oblige members states to adopt any legally binding renewables targets domestically. And since the 27% EU-wide green energy target is unenforceable, no country will be punished for failing to meet any target. This option would provide a logical and justifiable exit from unilateral self-sacrifice and would allow member states to decide their climate and energy policies domestically and back in line with their national interest.

5 Poland's role

Finally, let me return to the crucial role Poland plays in navigating the future of Europe's climate and energy policy. In January, President-elect Duda criticised the 2030 climate package in the European Parliament. He pointed out that the EU had been trying to persuade the rest of the world to follow its decarbonisation policy. 'The problem is', he said, 'that our plan that we wish to realise, which is to reduce emissions by 40%, is ultimately not accepted by the rest of the world – let's be blunt – which will result in the fact that in this perspective the European economy will be far less competitive.'

Whether Poland will continue to support the EU's 2030 package or whether it will change in light of an inadequate Paris agreement will very much depend on the parliamentary elections this October. Poland's main opposition party, the Law and Justice Party, opposes the EU's 2030 climate package and has called it a serious blow for Poland's economy. A victory for the opposition could spell the end of the decarbonisation consensus in Poland and the EU. Three years ago, the Law and Justice Party proposed a referendum on the EU's 2020 climate package which the party opposed just as much. Although it was voted down by MPs in 2012, there is clearly a case for reviving the referendum proposal if the Paris climate accord fails to become legally binding. A referendum would bring a renewed focus on just how much current climate policies are costing people both in the developed and developing worlds and just how little those policies are giving in return.

Europe's Red Line



The Global Warming Policy Forum is the campaigning arm of the Global Warming Policy Foundation, an all-party and non-party think tank and a registered educational charity which, while openminded on the contested science of global warming, is deeply concerned about the costs and other implications of many of the policies currently being advocated.

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